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ANNUAL REPORT  
OF THE  
DEPARTMENT OF REVENUE



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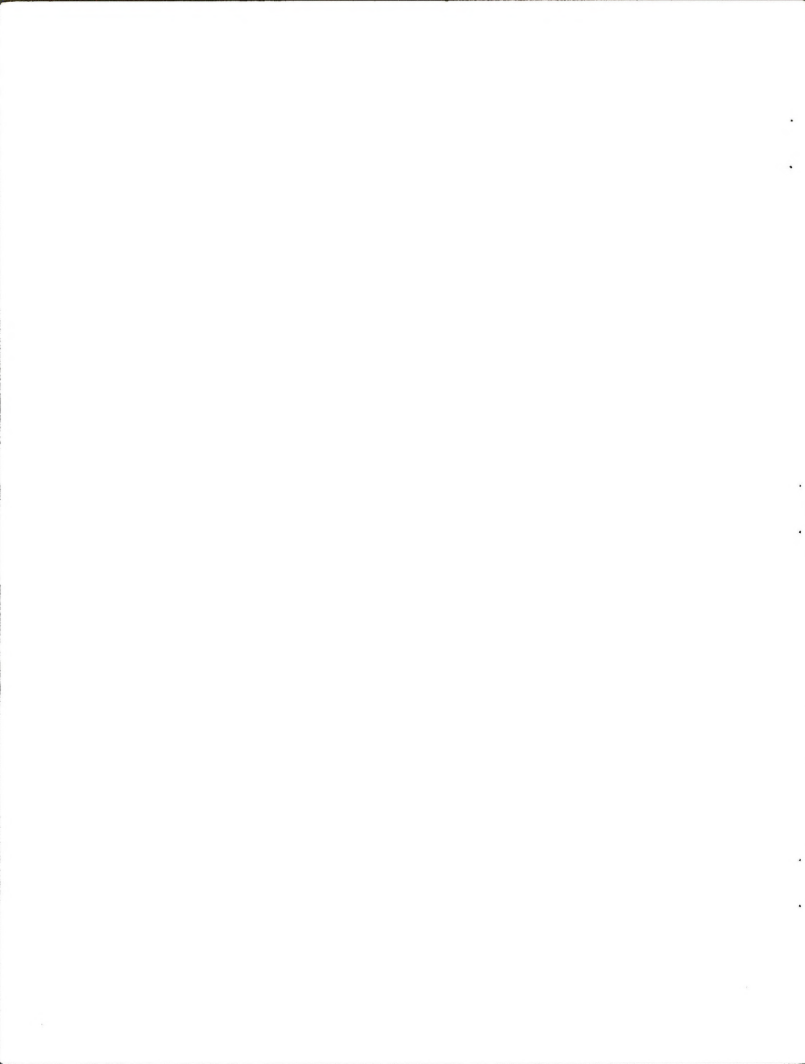
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ANNUAL REPORT  
OF THE  
DEPARTMENT OF REVENUE



TO THE  
GOVERNOR OF MONTANA  
HONORABLE THOMAS L. JUDGE

FOR THE  
FISCAL YEAR ENDED  
JUNE 30, 1973





# STATE OF MONTANA

## DEPARTMENT OF REVENUE

MITCHELL BUILDING  
HELENA, MONTANA 59601

November 1, 1973

The Honorable Thomas L. Judge  
Governor of the State of Montana  
State Capitol Building  
Helena, Montana 59601

Dear Governor Judge:

In accordance with the requirement of Section 82-4002, Revised Codes of Montana, 1947, the following report summarizing the goals, objectives and accomplishments of the Montana Department of Revenue for the Fiscal Year 1973, is hereby transmitted.

The major accomplishments of the Department during the fiscal year include:

Absorption of the functions of the Liquor Control Board.

Implementation of a rapid turn around procedure for income tax refunds.

Expansion of the multistate corporation audit programs.

Completion of sales-ratio studies for property in forty-seven counties.

With respect to the future, the Forty-Third Legislature enacted legislation which, when fully implemented, will lead to greatly expanded activity in the Department of Revenue. To that end, a reorganization plan designed to make the Department responsive to the new legislative mandates has been developed for implementation during FY 74. I am confident that the reorganized structure will make it possible for this Department to provide the sound effective management you seek in your Administration.

Very truly yours,

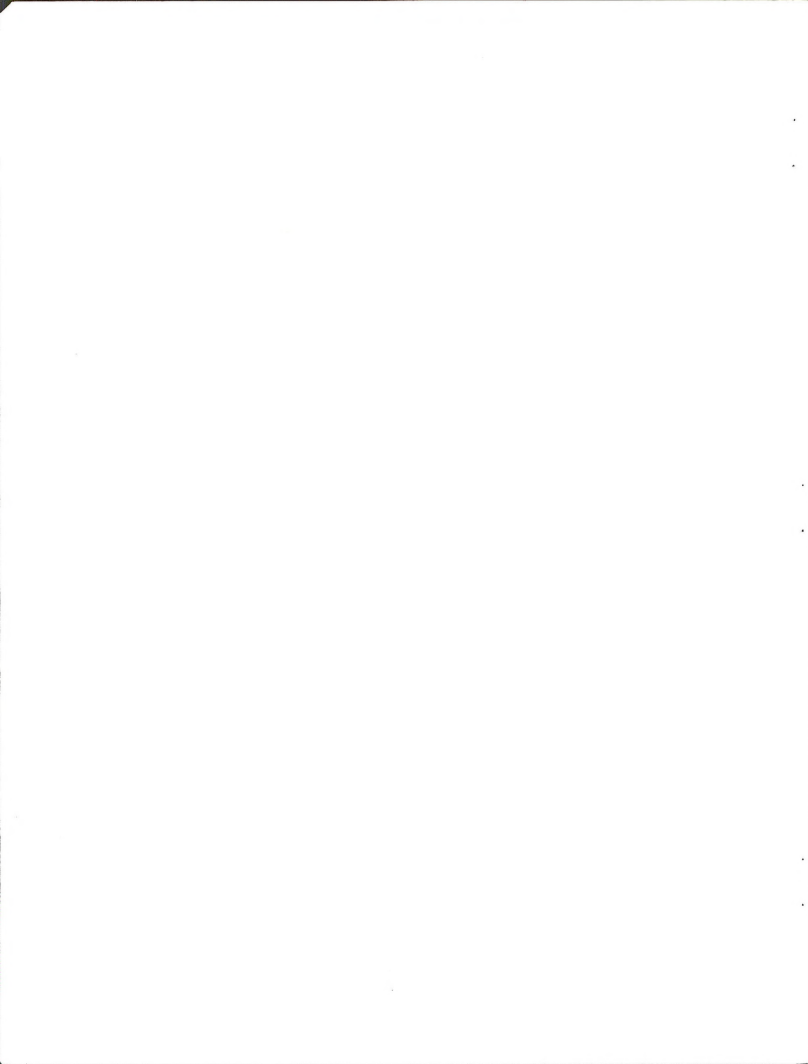
*Keith L. Colbo*

Keith L. Colbo  
DIRECTOR OF REVENUE



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## PRINCIPAL OFFICERS & OFFICES

### BOARD OF EQUALIZATION\*

Ray J. Wayrynen, Chairman  
Helen C. Peterson, Member  
J. Morley Cooper, Member

### DEPARTMENT OF REVENUE\*\*

Keith L. Colbo, Director

### CENTRALIZED SERVICES DIVISION

E. Jene Bell, Legal Bureau Chief  
Laury M. Lewis, Accounting & Auditing Bureau Chief  
Robert D. Ogren, Operations Bureau Chief

### INCOME & CORPORATION LICENSE TAX DIVISION

Howard O. Vralsted, Administrator  
Marvin D. Olaf, Income Tax Bureau Chief  
Gerald L. Foster, Corporation Bureau Chief

### MOTOR FUEL TAX DIVISION

Robert P. Wilson, Administrator  
Jack P. Miller, Audit Bureau Chief

### PROPERTY VALUATION DIVISION

Vernon B. Miller, Administrator, Secretary to Board of Equalization  
Frank J. Moze, Property Appraisal & Research Bureau

### INHERITANCE TAX DIVISION

Thomas E. Stoll, Administrator

### MISCELLANEOUS TAX DIVISION

James Madison, Administrator

### LIQUOR DIVISION\*\*\*

Kenneth F. Wynn, Administrator  
Thomas J. Mulholland, Licensing Bureau Chief  
Vacant, Warehouse Bureau Chief  
Phyllis Sanders, Retail Sales Bureau Chief  
LeRoy Battershell, Central Services Bureau Chief

### PRINCIPAL OFFICES

Sam W. Mitchell Building  
Liquor Division, Front Street and Lyndale Avenue

\* The Forty-Third Legislative Assembly abolished the State Board of Equalization, effective July 1, 1973, and established the State Tax Appeal Board as provided for in Article VIII, Section 7 of the 1972 Constitution. Organizationally, the State Tax Appeal Board was placed in the Department of Administration on a "for administrative purposes only" basis, effective July 1, 1973.

\*\* Personnel shown were in the positions shown on June 30, 1973. A significant internal reorganization of the Department of Revenue took effect on July 1, 1973.

\*\*\* The Liquor Control Board was abolished by the Forty-Third Legislature and its functions were transferred to the Department of Revenue, effective March 8, 1973. Reorganization and staffing of the Liquor Control operation were not complete as of June 30, 1973.



## LEGAL REFERENCES

Article XII, Section 15  
1889 Montana Constitution

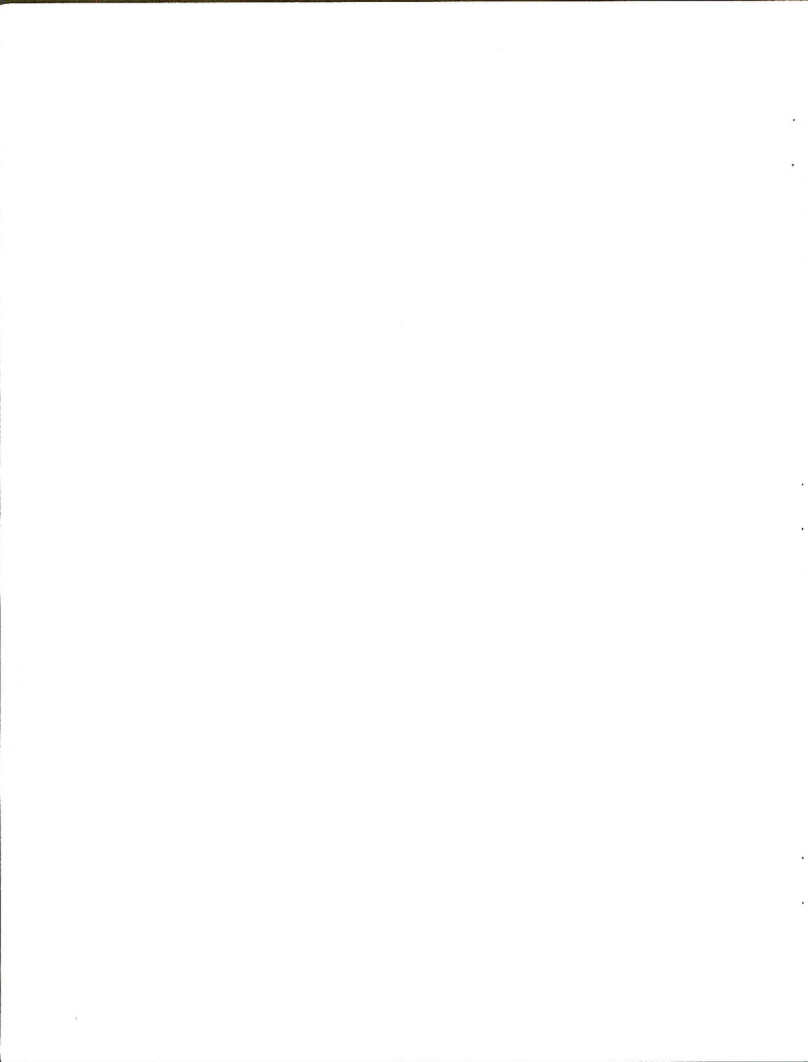
Title 82A, Chapter 18  
Title 84, Chapter 15  
Title 84, Chapter 49  
Section 32-2601  
Sections 84-1845 through 84-1861  
Sections 84-6301 through 84-6308  
Sections 84-1830 through 84-1844  
Section 1-501  
Sections 84-429.7 through 84-429.12;  
Section 84-708  
Title 91, Chapter 44  
Title 67, Chapter 22  
Title 91, Chapters 1 through 43  
and Chapter 53  
Title 84, Chapter 11  
Title 84, Chapter 12  
Title 84, Chapter 56  
Title 84, Chapter 56  
Title 84, Chapter 14  
Title 84, Chapter 35  
Title 84, Chapter 16  
Title 84, Chapter 17  
Title 84, Chapter 48  
Title 84, Chapter 20  
Title 84, Chapter 59  
Title 51, Chapter 3  
Title 84, Chapter 21  
Title 84, Chapter 22  
Title 84, Chapter 55  
Title 84, Chapter 35  
Title 14, Chapter 5  
Title 84, Chapter 23  
Title 84, Chapter 24  
Title 84, Chapter 13  
Title 84, Chapter 25  
Title 84, Chapter 26  
Title 84, Chapter 68  
Title 4, Chapter 101-514\*  
Title 82A, Chapter 18

Board of Equalization  
Property Tax  
Department of Revenue  
Corporation License Tax  
Personal Income Tax  
Allocation to State Parks  
Distributors Gasoline License Tax Act  
Importers Tax on Gasoline Purchased Out-of-State  
Special Fuel Tax Act  
State Aeronautics Commission Allocation

Property Tax  
Inheritance Tax  
Unclaimed Property

General Probate and Escheated Estates  
Cement Dealers License Tax  
Cement and Gypsum Producers License Tax  
Cigarette Tax  
Cigarette Wholesaler and Retailer Licenses  
Coal Retailers License Tax  
Contractors Gross Receipts Tax  
Electrical Energy Producers License Tax  
Express Companies License Tax  
Freight Line Company License Tax  
Metalliferous Mines License Tax  
Micaceous Mineral Mines License Tax  
Minimum Cigarette Prices  
Natural Gas Distributors License Tax  
Oil Producers License Tax  
Payments in Lieu of Taxes  
Public Contractors Licenses  
Rural Electric and Telephone Cooperatives License Tax  
Sleeping Car Companies License Tax  
Store License Tax  
Strip Coal Mines License Tax  
Telegraph Companies License Tax  
Telephone Companies License Tax  
Tobacco Products Tax  
Liquor Control  
Liquor Control Board Abolished

\* The Liquor Control Board was abolished by SB177, Forty-Third Legislative Assembly, (Chapter 207 Session Laws of 1973) and its functions were transferred to the Department of Revenue, effective March 8, 1973 (See Chapter 82A-1807 and 82A-1808, R.C.M., 1947).



## DEPARTMENT OF REVENUE

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### PRINCIPAL GOALS

To administer the tax statutes of the State of Montana.

To administer the operations of the State Liquor Monopoly.

To provide estimates of revenue from all sources for legislative and administrative purposes.

To adjust and equalize the valuation of the taxable property among the counties of the State, and among the various classes of property.

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### MAJOR ACCOMPLISHMENTS

#### ABSORBED FUNCTIONS OF LIQUOR DIVISION

The Forty-Third Legislative Assembly abolished the Liquor Control Board and transferred the functions to the Department of Revenue, effective March 8, 1973. In the period from March 8, to June 30, a major reorganization of the liquor operation was completed, with the establishment of a Purchasing Bureau and a Retail Stores Bureau. The Retail Stores Bureau will provide direct and frequent communication with Liquor Store Personnel, an essential component of an efficient state run liquor sales operation.

#### COMPUTERIZED INCOME TAX RETURN PROCESSING

In January, 1973, the Department of Revenue implemented a new computerized income tax return processing system which has significantly reduced processing time for all categories of returns and has enabled the Department to render taxpayers claiming refunds much more rapid service than ever before. Under the new system, processing of all acceptable returns claiming a refund was completed approximately two months earlier than in any previous year. In all, 152,900 refund returns and 112,500 returns of other types were processed. The increased efficiency in processing returns has given the income tax audit staff approximately three additional months within which to audit returns filed during the current calendar year. The effect on auditing is partially reflected by the fact that since January 1, the audit staff has been able to examine 11,040 refund returns resulting in a \$302,000 reduction in the amount of refunds claimed, whereas last year at this time only 7,017 returns had been examined, with refund reductions amounting to just over \$183,000.

#### EXPANDED MULTISTATE CORPORATION AUDIT PROGRAM

During the first six months of the calendar year 1973, the Corporation Tax Division completed six audits of large multistate corporations with business operations in Montana. These audits resulted in additional corporation license tax collections in the amount of \$195,741.51 and increased net proceeds tax to counties in the amount of \$67,153.94. In addition, two multistate audits, conducted in conjunction with auditors from the multistate tax commission, resulted in additional corporation license tax assessments in the amount of \$427,480.07. With the addition of four corporation auditors, it is anticipated that approximately ten more multistate audits will be completed during the last six months of 1973.



## DEPARTMENT OF REVENUE \_\_\_\_\_

### COMPLETED SALES-RATIO STUDIES FOR 84% OF COUNTIES

Sales-ratio studies, based on comparisons of actual sales prices with assessed values for property sold during the period 1965-1971, were completed for forty seven of the fifty six counties in Montana. These studies will provide the basis for determination of the next steps to be taken by the State in its program to fulfill the 1972 constitutional mandate to assess and equalize the valuation of all property in the State.

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### PROGRAM GOALS AND OBJECTIVES

#### CENTRALIZED SERVICES PROGRAM

##### GOAL

To provide management, accounting and legal services for the Department of Revenue.

##### OBJECTIVE

To develop programs for coordination of internal operations, personnel management and data processing; to implement an accounts receivable system for tax collections; to convert existing accounting procedures to statewide budgeting and accounting system; to develop a comprehensive functional program for the provision of legal services adequate to meet the internal needs of the Department of Revenue.

##### ACCOMPLISHMENTS

Merged the Liquor Control Board and Department of Revenue accounting systems.

Implemented the statewide budgeting and accounting system procedures throughout the Revenue Department.

Implemented an internal position classification and salary determination plan.

#### INCOME AND CORPORATION LICENSE TAX PROGRAM

##### GOAL

To administer the personal income and corporation license tax statutes of the State of Montana.

##### OBJECTIVE

To minimize the time lag between receipt of personal income tax return and payment of refund; to minimize the number of erroneous returns which escape detection; to identify and contact corporations and individual taxpayers who fail to file required tax returns; to collect all delinquent taxes due to the state; to keep accurate and comprehensive records pertaining to personal and corporate tax collections in order to provide a sound data base for future projections.

##### ACCOMPLISHMENTS

A computerized system for processing income tax refunds was implemented for processing 1972 tax returns.

Individual income tax forms were redesigned to simplify taxpayer completion efforts and to facilitate rapid processing of completed returns by the Department of Revenue.

The multistate corporation audit program was expanded resulting in a significant increase in collections of corporation license tax from multistate corporations.



## DEPARTMENT OF REVENUE

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### INHERITANCE TAX PROGRAM

#### GOAL

To administer inheritance tax statutes of the state; to collect and hold unclaimed property and escheated estates as provided by statute.

#### OBJECTIVE

To review and update policies and procedures for collecting and accounting for all inheritance taxes due to the state; to locate and collect all unclaimed property and escheated estates properly belonging to the state.

#### ACCOMPLISHMENTS

Expanded activity in the area of collection of dormant inheritance accounts resulted in a net increase in collections of \$170,000 in this area over 1972 collections.

New programs implemented in conjunction with the Department of Justice (Attorney General's Office) resulted in gross collections from escheated estates four times greater than for 1972 collections, and twice as great as the highest previous year of record.

### MOTOR FUEL TAX PROGRAM

#### GOAL

To administer motor fuel tax statutes.

#### OBJECTIVE

To simplify taxpayer compliance requirements; to conduct an audit and accounting program to insure payment of all taxes due.

#### ACCOMPLISHMENTS

Implemented an extended internal audit program to insure that taxpayer bond coverage is adequate.

Reduced delinquent tax liabilities from over \$88,000 in 1972 to less than \$42,000 in 1973.

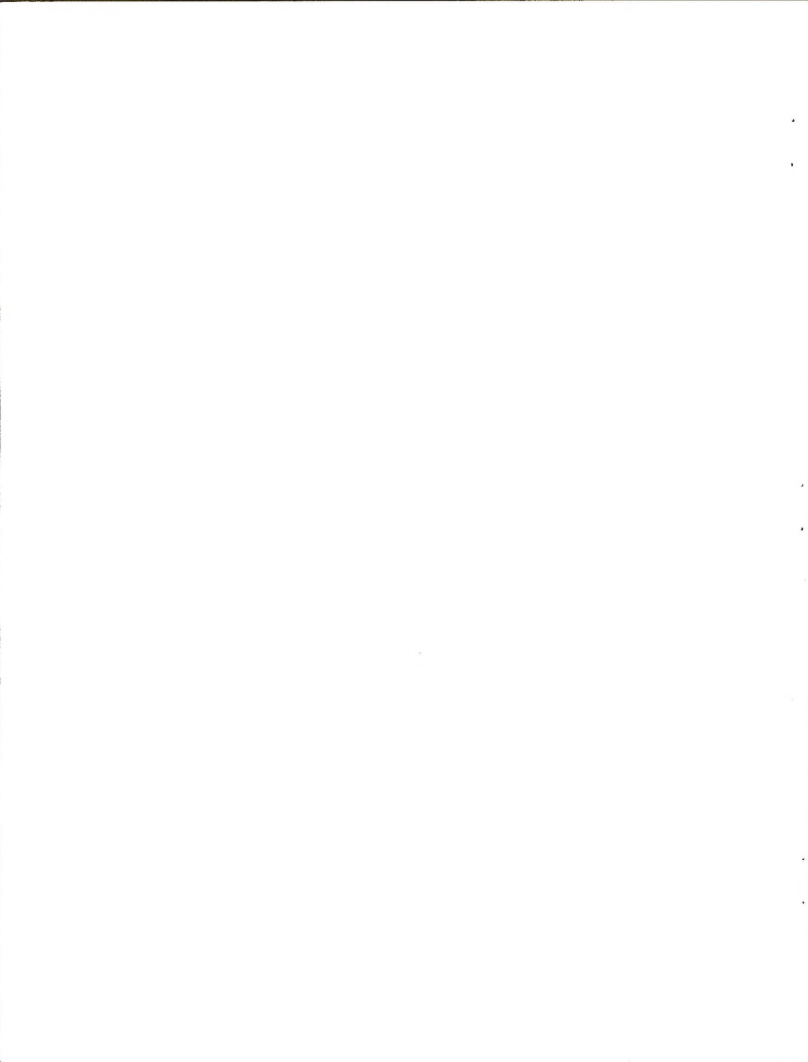
Reduced back log of gasoline refund claims from 7200 in 1972 to zero in 1973.

Simplified gasoline refund application procedures.

### PROPERTY TAX PROGRAM

#### GOAL

To uphold the constitutional provisions assigning to the State Board of Equalization the responsibility for equalizing the valuation of taxable property in the state; to administer statutes related to administration and implementation of property tax laws.



## DEPARTMENT OF REVENUE

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### OBJECTIVE

To provide an assessment and appraisal school for county assessors, appraisers, commissioners and others concerned with property valuation principles and techniques; to conduct sales-ratio studies to provide an on-going monitor of the relationship between appraised values and market values of property in the various counties of the state; to assess county governments in the actual assessment and appraisal process through the use of state field personnel; to establish equitable valuations of public utilities and determinations of net proceeds; to assess counties in the valuation of capital stock of state and national banks.

### ACCOMPLISHMENTS

Sales ratio studies were completed for forty seven counties.

Significant progress was made in the area of classification and grading of agricultural land.

### MISCELLANEOUS TAX PROGRAM

#### GOAL

To administer those tax statutes not administered by the Income and Corporation Tax Division, the Inheritance Tax Division, the Property Tax Division, the Motor Fuel Tax Division or the Liquor Division; to enforce minimum cigarette price statutes.

#### OBJECTIVE

To collect and account for each of the twenty-two taxes and license fees administered under this program; to maintain an audit program throughout the state to insure that the provisions of the minimum cigarette price laws are adhered to.

#### ACCOMPLISHMENTS

Implemented revenue collection and accountability provisions of the Montana Utility Siting Act of 1973, which became effective in March of 1973.

Developed legislation to enable Montana to enter into multistate regional agreements to control in-state cigarette sales.

### LIQUOR CONTROL PROGRAM

#### GOAL

To manage the State liquor monopoly in such a way that consumer demands are met and the State secures a fair profit on liquor sold.

#### OBJECTIVE

To make the best liquor obtainable to the Montana consumer at a reasonable price which is uniform in liquor stores throughout the State; to implement market analysis and inventory control techniques and procedures to insure that liquor products are available in proportion to consumer demands; to continuously upgrade procedures for obtaining, reviewing, or transferring liquor licenses.



# DEPARTMENT OF REVENUE

## ACCOMPLISHMENTS

Completed an internal reorganization, subsequent to the transfer of liquor control functions to the Revenue Department, which will streamline the overall operation of the state liquor monopoly, and will provide for direct communication between state level management and liquor store operators.

## PROGRAM COST SUMMARY

|                                            | EXPENDITURES         |                      |                        |
|--------------------------------------------|----------------------|----------------------|------------------------|
|                                            | FY 1973              | FY 1972              | Increase<br>(Decrease) |
| SUMMARY BY PROGRAM                         |                      |                      |                        |
| Department of Revenue                      |                      |                      |                        |
| Centralized Services Program               | \$ 292,237           | \$ 247,165           | \$ 45,072              |
| Income and Corporation License Tax Program | 698,309              | 645,586              | 52,723                 |
| Inheritance Tax Program                    | 52,835               | 49,413               | 3,422                  |
| Motor Fuel Tax Program                     | 233,579              | 234,365              | ( 786)                 |
| Property Tax Program                       | 211,899              | 190,097              | 21,802                 |
| Miscellaneous Tax Program                  | 110,821              | 113,245              | ( 2,424)               |
| Liquor Control Program                     | 25,679,960           | 24,864,580           | 815,380                |
| TOTAL                                      | <u>\$ 27,279,640</u> | <u>\$ 26,344,451</u> | <u>\$ 935,189</u>      |

## SUMMARY BY OBJECT

|                    |                      |                      |                   |
|--------------------|----------------------|----------------------|-------------------|
| Personal Services  | \$ 3,493,078         | \$ 3,262,994         | \$ 230,084        |
| Operating Expenses | 22,333,258           | 21,593,302           | 739,956           |
| Equipment          | 36,855               | 72,806               | (35,951)          |
| Grants & Benefits  | 1,416,449            | 1,415,349            | 1,100             |
| TOTAL              | <u>\$ 27,279,640</u> | <u>\$ 26,344,451</u> | <u>\$ 935,189</u> |

## SUMMARY OF FUNDING

|                        |                      |                      |                   |
|------------------------|----------------------|----------------------|-------------------|
| General Fund           | \$ 1,053,075         | \$ 958,103           | \$ 94,972         |
| earmarked Revenue Fund | 3,843,349            | 3,645,442            | 197,907           |
| Revolving Fund         | 22,383,216           | 21,740,906           | 642,310           |
| TOTAL                  | <u>\$ 27,279,640</u> | <u>\$ 26,344,451</u> | <u>\$ 935,189</u> |





